



Meals Tax: A good option for local revenues

A local option meals tax would allow Boston to benefit directly from the money spent at restaurants in the City. The City is proposing a 2% tax on the sale of prepared food and beverages. A 2% meals tax could raise approximately \$47 million for Boston in FY2009.

The meals tax, which is currently 5%, has been as low as 3% and as high as 8% in Massachusetts over the last 40 years.

An Appropriate Source of Revenue

- A meals tax is the final piece in a tourism-based complement of revenue streams that include hotel, jet fuel, and car rental taxes or fees. These taxes match closely with City expenditures related to special events and seasonal tourism peaks.

Negligible Effect on Industry Growth

- The Boston restaurant industry is strong and growing. In the last decade restaurant employment has grown by 15%, nearly 8 times the rate in all other industries¹.
- Even with a 2% addition to the rate, Massachusetts would have one of the lowest rates among competitive states (see reverse side).
- Even given the industry's very recent performance, a 2% tax will likely have little impact on restaurant sales or employment.

A Growing Revenue Source²

FY09 Meals Tax Revenue at 2%

Boston	\$46,691,300
Cambridge	\$ 8,116,182
Worcester	\$ 6,142,172
Springfield	\$ 4,048,602
Newton	\$ 3,994,674
Framingham	\$ 3,571,676
Waltham	\$ 3,399,824
Barnstable	\$ 3,252,374
Quincy	\$ 2,909,700
Saugus	\$ 2,756,522
Brookline	\$ 2,384,500
Plymouth	\$ 1,756,418

- Since 1998, state meals tax revenue has almost doubled, from \$392 million to an estimated \$633 million in FY08, increasing at an annual rate of 5%.
- Meals tax revenue has increased every year since 1994, even through the recession of 2001.
- In FY09, if all cities and towns adopt a 2% meals tax, more than \$250 million in tax revenues could be generated.
- Using state estimates, 100% of municipalities are estimated to gain something from a local option meals tax – nearly 70% could raise at least \$75,000.

Boston Consumer Impact Minor, Borne by Non-Residents

- Two-thirds of the meals tax in Boston is paid by non-residents: visitors, businesses and commuters. Just one-third would be paid by area residents.
- Based on patterns of consumer spending, a Boston area family with an average income would spend just an additional \$1 per week³.

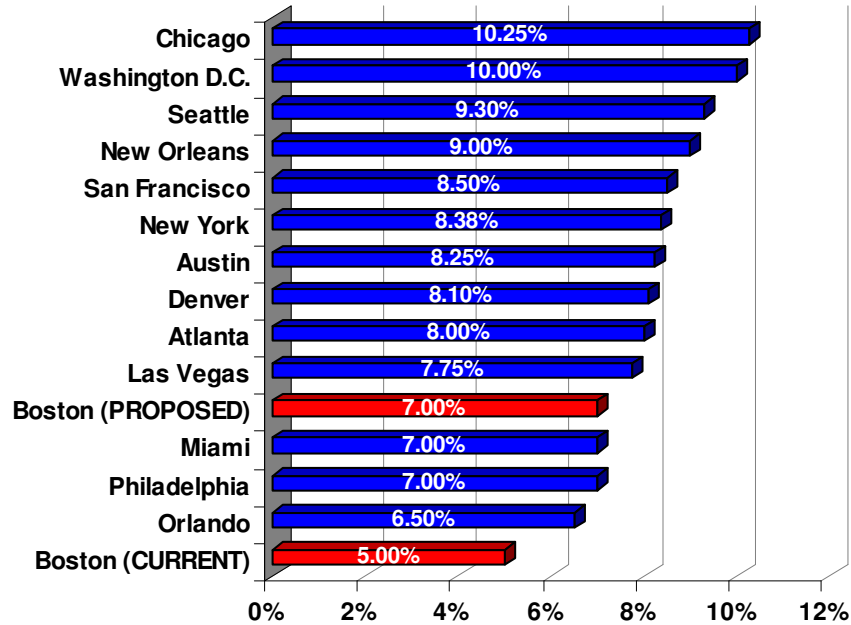
¹ Source: U.S. Department of Labor, Bureau of Labor Statistics, State and Local Employment, Hours and Earnings. December 2008 preliminary employment versus 1998 actual annual for the Boston-Cambridge-Quincy, MA NECTA Division in the Food Services and Drinking Places industry.

² Revenue estimates by selected municipality are derived by doubling estimates of a 1% local tax from the state Department of Revenue (http://www.mass.gov/Ador/docs/dor/Stats/MealsData/Local_Option_Meals_Estimates.pdf)

³ Source: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey 2008. "Food away from home" expenditures accounted for approximately 5.4% of total annual expenditures of approximately \$50,000 for an average "consumer unit" of 2.5 persons in 2007.



Among Lowest of Comparable US Cities...



...and New England States

